BOOK REVIEWS AND NOTICES

The Principles of Economics. By F. W. Taussig. New York: Macmillan, 1911. 2 vols. 8vo, pp. xxxv+547; xviii+573. \$4.00.

Among the needs of economics long recognized as imperative is a work which shall summarize in an interesting and common-sense way the principal positive achievements of the science. That there are such achievements, and that they are numerous and important, even the economists themselves sometimes forget; and the intelligent layman is coming to disbelieve in them altogether. Controversies, to be sure, we must have, and we must conduct them ruthlessly until logic and fact have destroyed the one party, or fundamental contradictions in point of view or in underlying social values have been brought clearly to light. It is far too early to talk of doctrinal disarmament. But we ought to have a body of economic writings that emphasize the non-controversial parts of our science, if for nothing else than to serve as a bulwark behind which we may settle our doctrinal differences, undisturbed by the impertinent observation of outsiders.

It is this need that Professor Taussig's *Principles of Economics* is primarily designed to meet. And a careful examination of the work will convince most economists—even representatives of theoretical tendencies widely different from those of Professor Taussig—that the design is carried to a reasonably successful issue. The work may be recommended to the intelligent general reader with the confident expectation that it will profit him, and increase his respect for economic science.

A secondary design of Professor Taussig's was to provide a textbook for use in university courses in economics. Opinions will differ widely as to the serviceability of any given book for this purpose. It is not likely that anyone can write a book which will serve equally well for a half-year course and for a full-year course; for a course open to Freshmen and Sophomores, and for a course restricted to Juniors and Seniors; for a course in a large university conducted by the lecture method and for a course in a small college conducted by the recitation method. It is the reviewer's opinion that the present work will prove adaptable to a fairly wide range of conditions. It is interestingly

written; it introduces a large number of problems and gives adequate treatment to them. It is not so systematically developed as to preclude omissions and rearrangement of material. It is likely, however, to prove especially valuable where the lecture method is employed. Professor Taussig, like most effective lecturers, seeks rather to make points that will leave a vivid and, on the whole, a correct impression than to lay down propositions that may be used as premises for a chain of deductive reasoning. As an illustration of this tendency we may take the statement (Vol. I, p. 233) that the value of gold depends on the general range of prices of commodities, "or, rather, *is* the general range of prices." The impression made is a vivid one, and for practical purposes is a correct one. Even a reader who runs over his text somewhat carelessly will get a meaning from the sentence that will help him to understand some of the principal issues in the money question. The statement, however, as Professor Taussig, of course, realizes very well, is not exactly true, and might easily give rise to many difficulties in a class conducted by rigorous "quizzing" methods.

To give just one other illustration of the professional lecturer's preference of vividness to precision, we are told (Vol. I, p. 258) that there is no such thing as elasticity in the demand for money. In strict accuracy, there is, according to the quantity theory which Professor Taussig is defending, an extreme elasticity in the demand for money. No increase in supply will fail of ready absorption; no decrease in supply can fail to be accompanied by a change in value. What Professor Taussig means is that the demand curve is of such a character that the volume of value ascribed to the total money supply can not be changed by changes in that supply. In this case, too, it may justly be said that no one who reads merely for general information will gain any impression other than the one intended by the author. Trouble can arise only when the reader holds in his mind a painfully precise notion of the meaning of elasticity.

Fundamental concepts, again, are used in this work rather as the lecturer or the popular writer uses them than as they are used by the careful drillmaster. Utility is used sometimes in the classical sense, to designate the physical capacity of a thing to satisfy a possible human want (Vol. I, p. 120), and sometimes in the sense of the subjective value of theorists to designate an effective relation of a commodity to a definite human want (Vol. I, p. 122). The term is also used to designate the price concept of the subjective value theorists (Vol. I, p. 124). The term value is commonly employed by Professor Taussig to signify ratio

in exchange. It also frequently signifies purchasing power. When we are told that among the buyers of oranges "are some whose means are large, others who value oranges highly," we feel that the term value has acquired a meaning closely related to that of marginal utility. These inconsistencies in the use of concepts would obviously never trouble the man who reads for information, nor the student who reads a book to get "the general idea." They could prove embarrassing only if the work were used as a text to be minutely studied.

It is no part of the reviewer's intention to bring charges of careless workmanship against the author. Professor Taussig has conducted for many years what is widely believed to be the most successful general course in economics in America, of which this work may be regarded as the ripened fruitage. We may feel quite certain that whatever modes of expression are found in it have been proven by experience to be effective. The point here made is merely that the work will be found most satisfactory as a text-book under conditions substantially similar to those under which it was developed.

The groundwork of Professor Taussig's system of thought is classical. The theory of value is essentially the classical supply and demand theory; if the author has not succeeded in wholly resisting the invasion of germs of the marginal utility theory, these are, none the less, pretty thoroughly encysted.[1] The theory of rent is purely classical; so also is the theory of international trade and that of money. The theory underlying the treatment of taxation is also, in the main, classical. The general point of view and the methods of reasoning employed are strongly influenced by the classical spirit. The theories of wages and interest, on the other hand, are those developed by the author in his *Wages and Capital*, and may be described as a synthesis of the time preference theory of interest with the classical theories on the subject. It is not possible here to enter upon a systematic criticism of Professor Taussig's theory; it may be said, however, that it does not leave the impression of complete co-ordination. Wages are defined as the discounted marginal product of labor, a sufficiently satisfactory working definition, if we choose to define all products not yet ready for consumption as discounted products. Wages are advanced by the capitalist, who consents to hold the product of labor until it is wanted for consumption. This,

[1] Cf. the following passage (Vol. I, pp. 142–43): "When, in the succeeding pages, value is spoken of as depending on marginal utility" that phrase is used, "for brevity, to indicate the complex conditions on which depends the price fetched by the last increment of supply."

too, is a view that can be logically defended. But when it is said that capital consists of advances to laborers, a position is assumed which is not so easily defended. For all products, differential as well as marginal, are discounted. It is difficult to see how Professor Taussig can escape the conclusion that capital consists in advances to landowners, as well as to laborers.

So far as wages are concerned, Professor Taussig's theory does not differ from that of the productivity theorists except in the somewhat unimportant fact that what he calls "discounted marginal product" the productivity theorists describe simply as "product." Professor Taussig treats the demand side of the interest problem exactly as the productivity theorists do; he believes, however, in a marginal discount rate as a factor controlling supply—something the productivity theorists might without difficulty accept. On the whole, then, Professor Taussig's distribution theory is to be classed with those of Wieser, Clark, and Carver, rather than with those of Fetter and Fisher. To the reviewer the discussion of distribution appears to be the only important exception to Professor Taussig's general plan of adopting the simplest possible mode of exposition compatible with practically sound conclusions.

Whether we accept Professor Taussig's formal theories or not will have little to do with our general opinion of his work. For the theories play a relatively small part in its development. The subject of "Money and the Mechanism of Exchange," for example, is introduced by a non-controversial chapter on "The Precious Metals, Coinage," which gives some of the technical details respecting the character of the precious metals, reasons for coinage under public authority, etc. The following chapter is a defense of the quantity theory, which, in the reviewer's opinion, leaves a somewhat more definite impression of the fundamental soundness of the quantity theory than the arguments advanced here—or later in the book—will warrant scientifically. No one will find good reason to quarrel with the argument of the next chapter, which discusses the relation of the cost of specie to its value. And the following eleven chapters (chaps. xx–xxx) dealing with bimetallism, the significance of changes in prices, government paper, banking and crises, present practically no controversial material at all. The final chapter of the book, which returns to the theory of prices, will meet with adverse criticism from those who believe that, independently of changes in money supply and of changes in supply of commodities viewed as demand for money, changes in volume of liquid assets may play the part of a dynamic

factor in price-making. Here again, it is fair to urge, Professor Taussig is less concerned with making a scientific contribution to the theory than with expounding as effectively as possible a practically sound doctrine of money. In this he appears to be eminently successful. The reviewer knows of no brief work on money and credit from which the general student is likely to gain so many useful ideas as from the two hundred pages Professor Taussig has devoted to the subject.

What is true of the book on money is also true of the book on international trade. Some of us do not believe that the doctrine of comparative costs, with its assumption of stationary or automatically increasing productive factors, includes all the premises necessary for a complete solution of the problems at issue. Everyone would agree that it is extremely important that the classical view of the matter should be presented; nothing else can so effectively dispel the crude popular ideas on the subject. And undoubtedly Professor Taussig gains in effectiveness by restricting the scope of his argument. The discussion in book VI of the "Problems of Labor" and in books VII and VIII of "Problems of Economic Organization" and "Taxation" contains very little that is unacceptable to either classical or Austrian theory. Those who hold that the mechanics of the problem of economics is not an adequate basis for practical conclusions in these fields will, of course, find much to criticize here. But the great majority of economists will accept Professor Taussig's conclusions as sound.

And even in the most controversial parts of his work (book II, "Value and Exchange" and book V, "Distribution") the amount of non-controversial material is astonishing. No criticism directed against Professor Taussig's work on the basis of the prevailing mechanical formulation can do more than weaken the effect of isolated paragraphs; or, in a few instances, chapters. And this may be taken as sufficient evidence of the skill with which Professor Taussig has made his construction.

In concluding this review, it is natural to attempt to answer the question that is raised every time an important work on the general field of economics appears: have we here a work which will be to this generation what John Stuart Mill's *Principles* was to the last? The answer must, I think, be in the negative.

Economics as a science has steadily advanced, no doubt. Verified knowledge has largely taken the place of hypotheses more or less plausible; personal bias appears less and less conspicious. A comparison of the volumes of Professor Taussig with those of Mill will bear out this

assertion. There is far more in Taussig that all persons must accept than there is in Mill. Taussig handles more problems that are of vital significance than does Mill. Taussig's logic is better than Mill's; his style is as clear, and, if not so even, is on the average, perhaps, as effective. None the less, the reading of Mill used to mark an epoch in men's lives. Few, I believe, will ever say this of the reading of Taussig.

And this, it appears to the reviewer, is due to causes for the most part extrinsic to the author and his methods. Economics is in part a science; in part it is a creed; and through the last century, it has largely been the creed of the middle class, a party, to be sure, but one that identified itself with society. What was essential in this creed, we all know, was the affirmation of the sufficiency of an enlightened self-interest as a basis for economic, social, and political organization. In its revolutionary vigor it found expression in the work of Adam Smith. John Stuart Mill's work is an expression of the creed grown self-confident, triumphing over the minds of all men of enlightenment. These books therefore counted, and will continue to count so long as men desire to understand the main currents of thought of a mighty century.

Professor Taussig is also an adherent of the liberal view, an expounder of its creed. But in his thought, enlightened individualism works well, "for the most part," "as a rule," "when properly qualified." His is a creed over-rationalized. It reminds one of those modern religious creeds that do not conflict with science or with anything else. They do not lead us into absurdities, but they work no important changes of heart. Professor Taussig's book is full of practical wisdom. Economist and layman will alike read it with pleasure and with profit. Both will pronounce it a good book; and it will leave both cold.

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Principles of Rural Economics. By THOMAS NIXON CARVER. Boston: Ginn & Co., 1911. 8vo, pp. xx+386. $1.30.

Professor Carver has again demonstrated his versatility in the general field of economic and sociological science by this contribution on what he calls "some of the salient features of the rural problem." In the author's own opinion, the volume "emphasizes the public and social aspects of the problem somewhat more, and the business aspect somewhat less, than do most treatises on this subject." He mentions as a "partial defense for his presumption in writing on so large and difficult